

A/S "DAUGAVPILS LOKOMOTĪVJU REMONTA RŪPNĪCA"

ANNUAL REPORT

from January 1 till December 31, 2007

ENG

A/S "DAUGAVPILS LOKOMOTĪVJU REMONTA RŪPNĪCA"
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INFORMATION ON THE COMPANY

Name of the company	A/S Daugavpils Lokomotīvu Remonta Rūpnīca
Legal status of the company	Joint-stock company
Number, place and date of registration	Nr. 40003030219 Rīga, 03.October 1991
Address	Commercial register Riga, 08.06.2004. Marias street, 1 Daugavpils, LV-5401 Latvia
Type of operations	Repair of railway rolling stock, maintenance and modernizing as well as producing and repairing of their spare parts.
Names of the major shareholders	AS SKINEST RAIL, reg.10293440 (49,0%)Kadaka tee 1, 10621, Tallinn, Estonia AS SPACECOM, reg.10940566 (25,27%)Kadaka tee 1, 10621 Tallinn, Estonia LLC LOKOMOTIIV IVESTEERINGUUD, reg.11096115 (6,09%) Tartu street 18-18, 10115 Tallinn, AAS "DORMAŠINVEST" (5%) Orfikov side street, 5, of. 235 Moscow, Russia VAS VSAA, Riga (3,2%) Lacplesha street 70a, LV-1011 Latvia Other shareholder - 11.44%
Names and positions of the Board members	Keskula Aivar - chairman of the board Šilovs Andrejs - member of the board Kārklīņa Jeļena - member of the board (till October 28, 2007) Petrova Natālija - member of the board (from October 29, 2007 Steļmačenoks Kazimirs - member of the board (from October 2

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Names and positions of the Board members

Oleg Ossinovski - chairman of the counsel
Juri Krasnošlok - vice chairman of the counsel
Roman Ait - member of the counsel (till May 6, 2007)
Vasiluy Barashkov - member of the counsel
Jelena Grjadunova - member of the counsel (till May 6, 2007)
Aleksandr Snatkin - member of the counsel (from May 7, 2007)

Financial year

1 January, 2007 - 31 December, 2007

Auditor's name and address:

MRI Revision SIA
Business license Nr. 80
Kronvalda boulevard 10
Riga LV-1010
Latvia

Certified auditor in charge
Eriks Bahirs
Certificate No.136

REPORT OF THE MANAGEMENT**Type of operations**

Basic activity of the Holding company "DAUGAVPILS LOKOMOTĪVJU REMONTA RUPNICA" is repair of railway rolling stock, maintenance and modernizing as well as producing and repairing of their spare parts. Holding company "DAUGAVPILS LOKOMOTĪVJU REMONTA RUPNICA" provide a repair services of all types of railway rolling stock - diesel-electric locomotives and electric trains.

Performance of the Company during the financial year

In 2007 the realization of enterprise main activity accounts 11.6 millions Ls that is 72% against 2006. Review year profit is 637 662 Ls. In comparison with 2006, the specific gravity of the export realization in the sum of general turn increased for 7% and made 79.6%. The main export directions this year were: EU countries: Lithuania and Estonia; the third states: Russia, Byelorussia, Uzbekistan and other. Moreover, the specific gravity of the local market fell down from 27.3% in 2006 till 20.4% in 2007 and formed 2.4 millions Ls.

In connection with work in a new financial structure the additional net turn, i.e. realization to subsidiary companies, amounted 6.6 millions Ls, what is 30% of annual net turn. In review year the indexes of turn and profit were influenced by Enterprise non-function in the first half-year in 2007 (because of the changes in the order of agreements concluding RŽD – Russian railways), the main production factors, labor force costs and inflation increase in Latvia.

In 2007 Enterprise executed the overestimation of fixed assets (land plots, buildings and constructions), which increased the value of the balance for 2.5 millions Ls.

Research and development

2007 is the first year, when Enterprise started to work actively in the new financial structure: a/s "DLRR" and 11 subsidiary companies, which were created on the base of the former workshops. The work in the new structure let provide a "transparency" of financial and economical activity in each subsidiary company, as also the a/s "DLRR" ", thus increasing production efficiency and profit.

Financial risk management

The policy of financial risk management of the Company is described in financial report's Notes 35

Post balance sheet events

In the time period between the last day of the financial year and the date of signing the financial statements by the Board there have been no important events that would have a significant effect on the financial results of the year or the financial position of the company.

Distribution of profit proposed by the Board

	2007
	Ls
Profit share to be distributed	637 662
Proposed profit distribution:	
Retained earnings	637 662

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Future prospects

In 2008 Company is planning to continue economic activity which was started in 2007, by increasing range of repair services, as well as adoption of new services, which are not connected with repair of rolling stocks. Fundamental priority - control of producing costs, increasing the liability of each Group company by final result and efficiency in present condition of world economic.

Natālija Petrova
board member

Daugavpils, 21 May 2008

REPORT OF THE MANAGEMENT

Type of operations

The Management is responsible for the preparation of the financial statements in accordance with International Financial Reporting Standards as adopted by the EU. The financial statements give a true and fair view of the financial position of the Company at the end of the reporting year, and the results of its operations and cash flow for the year then ended.

The Management certifies that proper accounting methods were applied to preparation of these financial statements on page 8 to page 30 and decisions and assessments were made with proper discretion and prudence. The accounting policies applied have been consistent in comparison with the previous year. The Management confirms that the financial statements have been prepared on going concern basis.

The Management is responsible for accounting records and for safeguarding the Company's and Group assets and preventing and detecting of fraud and other irregularities in the Company. It is also responsible for operating the Company in compliance with the legislation of the Republic of Latvia.

Natālija Petrova
board member

Daugavpils, 21 May, 2008

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INCOME STATEMENT

	Note	2007 Ls	2006 Ls
Net sales	(1)	22 078 087	18 310 830
Cost of sales	(2)	(19 748 878)	(16 969 988)
Gross profit or losses		<u>2 329 209</u>	<u>1 340 842</u>
Selling costs	(3)	(307 487)	(138 429)
Administrative expenses	(4)	(1 158 395)	(1 256 106)
Other operating income	(5)	148 495	391 342
Other operating expenses	(6)	(31 831)	(74 228)
Interest income and similar income	(7)	293 105	225 089
Interest charges and similar expenses	(8)	(335 264)	(225 176)
Profit or losses before taxes		<u>937 832</u>	<u>263 334</u>
Corporate income tax	(9)	(221 637)	(43 932)
Other taxes	(10)	(78 533)	(36 713)
Net profit or losses		<u><u>637 662</u></u>	<u><u>182 689</u></u>

Notes on pages 13 to 30 are an integral part of these financial statements.

Natālija Petrova
board member

Daugavpils, 21 May 2008

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BALANCE SHEET

		31.12.2007. Ls	31.12.2006. Ls
	Note		
<u>Assets</u>			
Non-current assets			
II. Fixed assets:			
Land and buildings	(11)	5 526 647	3 073 910
Equipment and machinery	(11)	1 169 914	805 923
Other fixed assets	(11)	290 095	147 588
Fixed assets under construction	(11)	61 991	331 980
Total fixed assets:		7 048 647	4 359 401
 IV. Non-current financial investments:			
Investments in subsidiaries	(12)	22 000	22 000
Total non-current financial investments:		22 000	22 000
Total non-current investments:		7 070 647	4 381 401
 Current assets			
I. Inventories:			
Raw materials and consumables	(13)	2 429 307	1 653 949
Work in progress		0	213 028
Finished goods and goods for sale	(14)	224 385	640 514
Advances for goods receivable		61 560	114 996
Total inventories:		2 715 252	2 622 487
II. Account receivable:			
Trade receivables	(15)	2 883 962	3 310 980
Receivables from group companies	(16)	2 057 591	0
Other receivables	(17)	243 123	282 014
Deferred expenses	(18)	11 103	12 948
Accrued income	(19)	2 568 053	1 673 755
Total receivables:		7 763 832	5 279 697
IV. Cash and bank:	(20)	105 334	11 151
Total current assets:		10 584 418	7 913 335
<u>Total assets</u>		17 655 065	12 294 736

Notes on pages 13 to 30 are an integral part of these financial statements.

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BALANCE SHEET

	Notes	31.12.2007. Ls	31.12.2006. Ls
<u>EQUITY AND LIABILITIES</u>			
Equity			
Share capital	(21)	8 294 219	8 294 219
Non-current investments revaluation reserve	(11)	2 783 022	712 150
Retained earnings			
a) previous year's retained earnings		(5 279 864)	(5 462 553)
b) current years profit/loss		637 662	182 689
Total equity:		6 435 039	3 726 505
Provisions:	(22)	797 787	819 541
Liabilities:			
Non-current liabilities:			
Loans from banks	(23)	2 281 364	2 789 918
Deferred income tax liabilities	(9)	479 697	43 932
Total non-current liabilities:		2 761 061	2 833 850
Current liabilities:			
Loans from banks	(23)	3 455 468	1 989 677
Advances from customers	(24)	373 413	247 363
Trade payables		2 734 006	2 170 010
Payables to group companies	(25)	82 734	0
Taxes and social insurance payments	(26)	179 854	258 854
Other liabilities	(27)	43 675	214 910
Accrued liabilities	(28)	792 028	34 026
Total current liabilities:		7 661 178	4 914 840
Total liabilities:		10 422 239	7 748 690
<u>Total equity, provisions and liabilities</u>		<u>17 655 065</u>	<u>12 294 736</u>

Notes on pages 13 to 30 are an integral part of these financial statements.

Natālija Petrova
board member

Daugavpils, 21 May 2008

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STATEMENT OF CHANGES IN EQUITY

	Share capital	Long-term investments revaluation reserve	Legal reserve	Retained earnings	Total
	Ls	Ls	Ls	Ls	Ls
31.12.2005.	8 294 219	845 167	0	(5 462 553)	3 676 833
Disposal of revalued fixed assets	0	(133 017)	0	0	(133 017)
Profit for the year	0	0	0	182 689	182 689
31.12.2006.	8 294 219	712 150	0	(5 279 864)	3 726 505
Increase of share capital	0	0	0	0	0
Revaluation of fixed assets	0	2 534 868	0	0	2 534 868
Disposal of revalued fixed assets	0	(380 230)	0	0	(380 230)
Reclassification of reserves	0	(83 766)	0	0	(83 766)
Profit for the year	0	0	0	637 662	637 662
31.12.2007.	8 294 219	2 783 022	0	(4 642 202)	6 435 039

Notes on pages 13 to 30 are an integral part of these financial statements.

Natālija Petrova
board member

Daugavpils, 21 May 2008

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CASH FLOW STATEMENT

	2007	2006
	Ls	Ls
Cash flow from operating activities		
Profit or losses before taxes	937 832	263 334
<u>Adjustments for:</u>		
depreciation of fixed and intangible assets	335 916	196 258
profit from disposal of fixed assets	(16 981)	(171 224)
profit on disposal of fixed assets	(83 766)	(133 017)
changes in provisions	527 246	(58 173)
foreign exchange (gains)/losses	(306 931)	(201 037)
interest expenses	331 237	207 097
	1 724 553	103 238
Cash flow prior to changes in current assets and liabilities		
Inventory (increase)/decrease	(124 635)	1 033 989
Account receivable (increase)/decrease	(2 703 840)	(498 085)
Account payable increase/(decrease)	957 448	(6 896 568)
Gross cash flow generated from operating activities	(146 474)	(6 257 426)
Cash flow from extraordinary items	(342 501)	(207 097)
Corporate income tax paid	74 255	(189 939)
Net cash flow generated from operating activities	(414 720)	(6 654 462)
Cash flow from investing activities		
Acquisition of fixed and intangible assets	(477 074)	(1 825 616)
Proceeds from sales of fixed assets	19 235	315 180
Loans issued	(297 426)	0
Equity investments paid	0	(22 000)
Net cash flow generated from investing activities	(755 265)	(1 532 436)
Cash flow from financing activities		
Loans received	2 080 066	2 710 992
Loans repaid	(815 898)	(290 601)
Net cash flow generated from financing activities	1 264 168	2 420 391
Net increase / (decrease) in cash and cash equivalents	94 183	(5 766 507)
Cash and cash equivalents at the beginning of the financial year	11 151	5 777 658
Cash and Cash equivalents at the end of the financial year	105 334	11 151

Notes on pages 13 to 30 is an integral part of these financial statements.

Natālija Petrova
board member

Daugavpils, 21 May 2008

NOTES TO THE FINANCIAL STATEMENTS

I. ACCOUNTING POLICIES

(1) General principles

Financial statements are prepared in accordance with the Laws of the Latvian Republic On Accounting, On the Annual Reports and the Latvian accounting standards issued by the Accounting council of the Ministry of Finance of the Latvian Republic, applicable in the financial year.

The financial statements have been prepared according to the historical cost accounting principle. The income statement is prepared in accordance with the turnover (period cost) method. The cash flow statement has been prepared under direct/indirect cash flow method.

(2) Changes in accounting policies

Due to accepted Latvian Accounting standards, the Company has changed the income recognition principle in the reporting period. Until the end of the reporting year ended 2006 the Company recognized income upon the full completion of the services. From 2007 the Company recognized income for the services rendered under the stage of completion method.

Except the above mentioned, the accounting policies used by the Company are consistent with those used in the previous period.

(3) Income recognition and net sales

Net sales represent the total of goods and services sold during the year excluding discounts, VAT and other taxes directly adjusted to sales.

Income is recognized according to the following principles:

Sale of goods - after significant ownership risk and rewards have been passed to the buyer;

Rendering of services - under the stage of completion method;

Income from fines and penalties - at the moment of receiving;

Interest income - on an accrual basis

Dividends - at the moment of acquiring legal rights to receive them

(4) Investments in group and associated companies, other non-current investments

Costs which are connected with longterm contract are recognised at the time when they appear. If result of long term contract is not possible to estimate, then Company recognises the income at the amount of contract related expenses which is possible to recover. If it is probable to estimate the financial result and it is planned to be a profit the income recognised during the period of contract. If there is material probability that total expenses of this agreement will exceed total income, then potential losses are recognised immediately as expenses.

Company applies percentage completion method to estimate the recognized income amount in the current period. According to that method the Company determines completion degree of work by as percentage of total planned contract expenses toward contract expenses which are ensued until balance sheet date or by reviewing the actual work done. Expenses which are incurred in current period but related to work in future periods, are extracted from current year expenses in calculating of work percentage completion. These expenses are recognized as inventories or other assets, depends from the nature of expenses.

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(4) Foreign currencies

The Company performs its accounting in Latvian Lats. All transactions denominated in foreign currencies are converted into Lats at the exchange rate set by the Bank of Latvia on the day of transaction.

Monetary assets and liabilities in foreign currencies are translated into Lats in accordance with the official exchange rate set by Bank of Latvia for the last day of the financial year. The profit or loss resulting from the exchange rate fluctuations of the foreign currency are recognized in the net value in the income statements in the respective period.

	31.12.2007.	31.12.2006.
	Ls	Ls
1 USD	0,484	0,536
1 EUR	0,702804	0,702804
1 LTL	0,204	0,204
1 EEK	0,0449	0,0449
1 EEK	0,0197	0,0203

(6) Fixed and intangible assets

Intangible and fixed assets are initially accounted at the purchase cost. Purchase cost includes costs, which are directly related to the purchase of intangible and fixed assets. In financial statements the intangible and fixed assets are shown at purchase cost or revalued amount excluding depreciation. Increase in value arising from revaluation is shown in equity under "Long-term investments revaluation reserve".

Depreciation is calculated on a straight-line basis applying the following rates of depreciation set by the management, based on the estimate utilization period:

	Depreciation % per annum
Buildings	1-5
Technological equipment	5-20
Other machinery and equipment, transport vehicles	5-35

The Company capitalizes its fixed assets valued over Ls 100 with useful life exceeding 1 year. Depreciation for improvements and other low costs items valued less than 50 Ls is recorded at 100% after putting into operation.

Repair and maintenance costs of fixed assets are expensed when incurred. If sufficient evidence is acquired that by repair and maintenance future economic benefit associated with it will flow to the Company, which exceeds the previously set return, costs are capitalized as additional costs to the fixed asset. Capitalizing the cost of mounted spare parts, the carrying value of the part replaced is expensed.

Profit or loss from disposal of fixed assets is calculated, as the difference between the carrying amount of the fixed asset and the income from sale, and expensed when disposal are incurred.

If any circumstances or events exist, by which it could be concluded, that the carrying amount of a fixed or intangible asset could be higher of its recoverable value, the value of a fixed or intangible asset is written down to its recoverable amount. Recoverable value is the higher of the fair value less costs to sell and the value in use of the related intangible or fixed asset.

(7) Capitalization of borrowing and other costs

The value of assets under development is initially increased by interest on loans used to finance the development of assets or similar direct costs attributable to the respective assets until substantially all activities necessary to prepare the respective asset for its intended use are complete. The values of respective asset is not increased by borrowing costs for periods when there are neither construction nor development works being performed in relation to respective assets.

(8) Inventory

Inventory is recorded at the lower of purchase or production costs and net realizable value. Purchase costs consists of purchase value and overheads, which have been acquired, by delivering inventory at their current position and value. The costs of used materials and other expenses that are directly connected with the production of the appropriate item are included in the production cost of inventory. Selling expenses has not included in cost. Cost is stated on the FIFO (weighted average) method. When the net realizable value of inventories is lower than its costs, the difference is accounted as provisions for the decrease of value.

(9) Account receivable

Receivables are recognized in the balance sheet at their net value, less provisions made for doubtful and bad debts. Special provisions for doubtful accounts are established when the management of the Company considers the return of the debt unlikely. The bad and doubtful accounts receivables are recorded as losses in the current financial year.

(10) Investments in group and associated companies, other non-current investments

Non-current investments, including investments in the group and associated companies of the concern, are stated at costs, which is adjusted in case of long-term increase or decrease.

(10) Provisions

Provisions are recognized, when there is a present obligation as a result of current or previous years events, it is probable that an outflow or resources will be required, and the amount has been reliably estimated.

(11) Provisions

Provisions are recognized, when there is a present obligation as a result of current or previous years events, it is probable that an outflow or resources will be required, and the amount has been reliably estimated.

(13) Accrued liabilities for unused annual leave

Amount of accumulated unused annual leave is determined by multiplying the average day rate of employees for the last six months of the financial year by the amount of accrued but unused annual leave at the end of the reporting year.

(14) Taxation

Corporate income tax for the reporting period is included in the financial statements based on the management's calculations prepared in accordance with the tax legislation of the Republic of Latvia.

Deferred tax is calculated according to the liability method with respect to all temporary differences between the values of assets and liabilities in the financial statements and their values for tax calculation purposes. The deferred tax liability is calculated based on the tax rates that are expected to be applied when the temporary differences even out. The temporary differences arise from different fixed asset depreciation rates, revaluation of assets, as well as from tax losses carried to the next taxation periods. In cases, when the total result of the deferred tax calculation is to be reflected as assets, it is included in the financial statements only if a taxable profit will be available against which the temporary differences composing the deferred tax assets could be applied.

(15) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise the remaining cash, balance of current bank accounts and current deposits with maturities up to 90 days.

(16) Group companies

Group companies are considered parent, subsidiaries of the parent and subsidiaries of subsidiaries, providing that the parent company has a control over its subsidiaries.

(17) Related parties

Related parties are considered shareholders, Board and Council members, their close family members and Companies, in which the previously mentioned persons have significant influence or control.

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II. OTHER NOTES

(1) Net sales

	2007	2006
	Ls	Ls
By operating activities		
Income from sales of products	12 808 464	15 927 661
Income from sales of spare parts	2 286 874	1 671 843
Income from sales of material (note 32b)	3 444 693	0
Income from fixed assets leasing (note 32b)	2 178 692	0
Direction and administrative service (note 32b)	445 526	0
Other income from sales to subsidiary companies (note 32b)	578 385	0
Other income	335 453	711 326
	<u>22 078 087</u>	<u>18 310 830</u>

By location

Income from sales of goods/services in Latvia	9 328 900	5 082 199
Income from sales of goods/services to Russia	2 252 300	8 415 155
Income from sales of goods/services to Mongolia	2 139 200	0
Income from sales of goods/services in the market ES	2 125 200	2 221 234
Income from sales of goods/services to Uzbekistan	1 168 300	325 000
Income from sales of goods/services to Belorussia	693 200	2 144 942
Other	4 370 987	122 300
	<u>22 078 087</u>	<u>18 310 830</u>

(2) Cost of sales

Subsidiary companies services costs (note 32)	8 881 047	0
Raw materials and consumables	6 807 554	9 505 001
Cost of spare parts sold	2 217 192	1 639 725
Accumulation debtor costs decrease	517 129	21 283
Utility expenses	369 087	660 791
Depreciation of fixed assets	239 648	134 524
Cost of delivery of goods	220 793	410 721
Accumulation accretion costs decrease	31 871	80 000
Accumulation possible material losses	19 756	0
Salary expenses *	0	3 192 054
Social insurance*	0	753 791
Other costs	444 801	572 098
	<u>19 748 878</u>	<u>16 969 988</u>

* Since a review year Enterprise has been providing repair of the rolling stock, buying repair services from its subsidiary companies, as a result, the structure of production costs has changed in comparison with last year. Substantial changes are new kind of costs: purchase repair services from daughter enterprises, as well as purchase costs of sold materials to daughter enterprises. In turn, in connection with production function delivery to daughter enterprises there are no production personnel costs at Enterprise. The mentioned positions of costs in review year and last year are comparable.

(3) Selling costs

Transportation costs	192 531	70 854
Salary expenses	60 783	32 853
Social insurance	14 643	7 914
Other selling costs	39 530	26 808
	<u>307 487</u>	<u>138 429</u>

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(4) Administrative expenses

Salary expenses	566 327	768 584
Social insurance costs	129 562	183 862
Other social security costs	0	0
Rent expenses	0	0
Office expenses	107 922	82 432
Depreciation of fixed assets	96 268	61 734
Professional service costs	43 000	8 500
Representation costs	11 037	6 724
Other administrative expenses	204 279	144 270
	<u>1 158 395</u>	<u>1 256 106</u>

(5) Other operating income

Write of assets revaluation reserve	83 766	133 016
Net income from sale of fixed assets	16 981	171 224
Rental income	16 556	13 085
Other income	31 192	74 017
	<u>148 495</u>	<u>391 342</u>

(6) Other operating expenses

Net losses from sale of fixed assets	16 281	35 002
Other expenses	15 550	39 226
	<u>31 831</u>	<u>74 228</u>

(7) Other interest income and similar income

Net income on foreign exchange	0	0
Net income from exchange rate fluctuations	292 824	225 089
Interest income from positive balance on bank account	281	0
	<u>293 105</u>	<u>225 089</u>

(8) Interest charges and similar expenses

Interest charge	346 711	232 349
(Interest capitalized)	(15 474)	(23 095)
Penalties paid	4 027	15 922
	<u>335 264</u>	<u>225 176</u>

(9) Corporate income tax**a) Components of corporate income tax**

Deferred income tax	55 535	43 932
Corporate income tax according to the tax return	166 102	0
	<u>221 637</u>	<u>43 932</u>

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The deferred company income tax has been calculated from the following temporary differences between value of assets and liabilities and their values for the purpose of calculating the company's income tax:

	2007	2006
	Ls	Ls
Profit before taxes	937 832	263 334
Other taxes (real estate taxes)	<u>(78 533)</u>	<u>(36 713)</u>
Profit before corporate income tax	<u>859 299</u>	<u>226 621</u>
Theoretically calculated tax at 15% tax rate	<u>128 895</u>	<u>33 993</u>
Tax effects on:		
Non-deductible expenses for tax purposes	121 279	26 891
Non-taxable income	(12 565)	(16 953)
Tax losses forwarded to other group companies	<u>(15 972)</u>	<u>0</u>
Total corporate income tax expenses	<u>237 609</u>	<u>43 932</u>

b) Movement and components of deferred tax

Deferred tax losses at the beginning of the financial year	43 932	0
Deferred tax charged to the income statement	55 535	43 932
Changes in deferred tax forwarded to non-current investment (fixed assets) revaluation reserve	380 230	0
Deferred tax losses at the end of the financial year	<u>479 697</u>	<u>43 932</u>

The deferred company income tax has been calculated from the following temporary differences between value of assets and liabilities and their values for the purpose of calculating the company income tax:

	31.12.2007.	31.12.2006.
	Ls	Ls
Temporary difference on depreciation of fixed and intangible assets	<u>619 109</u>	<u>178 863</u>
Gross deferred tax liabilities	<u>619 109</u>	<u>178 863</u>
Temporary difference on annual leave accrued expenses	2 963	0
Temporary difference on bad debt provisions	119 668	122 931
Temporary difference on provisions for slow moving and obsolete stock	<u>16 781</u>	<u>12 000</u>
Gross deferred tax assets	<u>139 412</u>	<u>134 931</u>
Net deferred tax liability (assets)	<u>479 697</u>	<u>43 932</u>

(10) Other taxes

Real estate tax for land	6 294	7 624
Real estate tax for buildings	<u>72 239</u>	<u>29 089</u>
	<u>78 533</u>	<u>36 713</u>

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(11) Fixed assets

	Land and buildings	Leasehold improvements	Equipment and machinery	Other fixed assets	Fixed assets under construction	Advances for fixed assets	Total
	Ls	Ls	Ls	Ls	Ls	Ls	Ls
Cost/valuation							
31.12.2006.	4 563 740	0	5 095 244	512 977	331 980	0	10 503 941
Additions	0	0	0	0	492 547	0	492 547
Reclassification between fixed assets	66 533	0	509 793	186 210	(762 536)	0	0
Disposals	0	0	(135 688)	(22 335)	0	0	(158 023)
Revaluation	2 534 868	0	0	0	0	0	2 534 868
Disposals on account of revaluation	(1 157 830)	0	0	0	0	0	(1 157 830)
31.12.2007.	6 007 311	0	5 469 349	676 852	61 991	0	12 215 503
Depreciation							
31.12.2006.	(1 489 830)	0	(4 289 321)	(365 389)	0	0	(6 144 540)
Calculated	(148 664)	0	(143 549)	(43 703)	0	0	(335 916)
Disposals	0	0	133 435	22 335	0	0	155 770
Disposals on account of revaluation	1 157 830	0	0	0	0	0	1 157 830
31.12.2007.	(480 664)	0	(4 299 435)	(386 757)	0	0	(5 166 856)
Net carrying amount							
31.12.2006.	3 073 910	0	805 923	147 588	331 980	0	4 359 401
31.12.2007.	5 526 647	0	1 169 914	290 095	61 991	0	7 048 647

Cadastral value of freehold land as at December 31, 2007 is Ls 648 447. Cadastral value for the buildings is Ls 4 504 712 .

The interest of the loan has been capitalized to Ls 15 474 (2006.y. - Ls 23 095).value under construction.

In 1996, 1999 and 2001 Enterprise made the overestimation of belonged to it buildings and technological devices. Accordingly in 1996 for LVL 659 538, in 1999 for LVL 1 317 852 and in 2001 for LVL 889 954. In the result of overestimation appeared difference is presented as a part of the equity capital in item "Reserve of the long-term investment overestimation".

Inviting independent licensed experts, in 2007 Enterprise made the overestimation of belonged to it land and buildings. The method of amortized costs replacement is used in the fixed assets overestimation, and taking into account the situation on the real estate market, using the caution principle, the value determined by independent estimator was multiplied by coefficient 0.7. The estimation was executed by independent estimator AS BDO Invest Riga. In the result of overestimation the difference appeared in volume of Ls 2 534 868 (minus the sum of deferred tax obligation, that refers to fixed assets overestimation), which is presented as a part of the equity capital in item "Reserve of the long-term investment overestimation".

Inviting independent licensed experts, in 2007 Enterprise made the overestimation of belonged to it land and buildings. The method of amortized costs replacement is used in the fixed assets overestimation, and taking into account the situation on the real estate market, using the caution principle, the value determined by independent

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estimator was multiplied

Had not the revaluation been performed the value of land and building would be the following

	31.12.2007.	31.12.2006.
	Ls	Ls
Cost	4 630 273	4 563 740
Accumulated depreciation	(1 539 498)	(1 489 830)
Net carrying amount	<u>3 090 775</u>	<u>3 073 910</u>

All fixed assets are pledged in accordance with terms of Mortgage and Commercial pledge agreements as security for loans from Norvik banka (see Note 23).

(12) **Investments in shares**

a) **movement of investments**

	Non-current		Current		Total
	Investments in subsidiaries	Investments in associates	Other securities and investments	Own stock and shares	
	Ls	Ls	Ls	Ls	
Cost					
31.12.2006.	22 000	0	0	0	22 000
31.12.2007.	22 000	0	0	0	22 000
Net carrying amount 31.12.2006.	22 000	0	0		22 000
Net carrying amount 31.12.2007.	22 000	0	0		22 000

b) **investments in subsidiaries**

Name	Address	Participating interest		Equity		Profit/(loss)	
		31.12.2006.	31.12.2007.	31.12.2006.	31.12.2007.	2006	2007
		%	%	Ls	Ls	Ls	Ls
SIA Rel	Marijas 1, Daugav	100	100	(541 446)	2 000	(543 446)	0
SIA Elap	Marijas 1, Daugav	100	100	(2 361)	2 000	(4 361)	0
SIA Remdīz	Marijas 1, Daugav	100	100	(320 320)	2 000	(322 320)	0
SIA Ritrem	Marijas 1, Daugav	100	100	(282 109)	2 000	(284 109)	0
SIA Elektromaš	Marijas 1, Daugav	100	100	82 935	2 000	80 935	0
SIA Krāsotājs	Marijas 1, Daugav	100	100	(112 271)	2 000	(114 271)	0
SIA SPZČ	Marijas 1, Daugav	100	100	(74 274)	2 000	(76 274)	0
SIA Metalurgs	Marijas 1, Daugav	100	100	(319 295)	2 000	(321 295)	0
SIA Remenergo	Marijas 1, Daugav	100	100	(105 048)	2 000	(107 048)	0
SIA Instruments	Marijas 1, Daugav	100	100	(104 164)	2 000	(106 164)	0
SIA Loģistika	Marijas 1, Daugav	100	100	(47 603)	2 000	(49 603)	0
				(1 825 956)	0	(1 847 956)	

2007 is the first year, when Enterprise started to work actively in the new financial structure: a/s "DLRR" and 11 subsidiary companies, which were created on the base of the former workshops.

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The activity of subsidiary companies is the capital repair of different parts of railway rolling stock, maintenance and modernization, as well as additional function performance, including:

SIA Rel	Repair of diesel-electric locomotives and electric trains.
SIA Elap	Repair of electric equipment of rolling stock
SIA Remdīz	Repair of engine and it's knots of rolling stock
SIA Ritrem	Repair of couple wheels and lorry of rolling stock
SIA Elektromaš	Repair and producing of electromotors, generators and transformers
SIA Krāsotājs	Dyeing of rolling stock
SIA SPZČ	Repair and producing of spare parts
SIA Metalurģs	Metal foundry
SIA Remenerģo	Maintenance of fixture, technical control and capital repair of buildings, constructions and producing equipment, service rendering of public facilities to group companies
SIA Instruments	Repair and producing of instruments and utilities
SIA Loģistika	Transportation service Material purchasing for Concern's need till 30.09.2007.

(13) Raw materials and consumables

Raw material, material and auxiliary material cost	2 501 565	1 688 949
(Accruals for damaged and slow moving stock)	(72 258)	(35 000)
	<u>2 429 307</u>	<u>1 653 949</u>

(14) Finished goods and goods for resale

Complete production	263 673	640 184
Other product sale	325	330
(Accruals for damaged and slow moving stock)	(39 613)	0
	<u>224 385</u>	<u>640 514</u>

(15) Trade receivables

Book value of trade receivables	4 851 911	4 761 799
(Provisions for bad and doubtful receivables)	(1 967 949)	(1 450 819)
	<u>2 883 962</u>	<u>3 310 980</u>

(16) Receivables from group companies

Calculation with subsidiary companies	1 760 165	0
Credit to subsidiary companies	297 426	0
	<u>2 057 591</u>	<u>0</u>

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(17) Other receivables

VAT overpaid (see Notes 26 for details)	151 288	0
Corporate income tax overpaid in foreign countries	54 290	54 290
Accumulation for corporation income tax in foreign countries	(54 290)	0
VAT for advances	17 258	40 136
Corporate income tax overpaid	0	109 422
Payments for quarantine	68 978	72 926
Payments to other services	2 378	2 611
Other receivables	3 066	1 397
Payments to personnel	155	1 232
	<u>243 123</u>	<u>282 014</u>

(18) Deferred expenses

Insurance payments	4 039	3 466
Other expenses	7 064	9 482
	<u>11 103</u>	<u>12 948</u>

(19) Finished goods and goods for resale

Accrued income from long-term contracts	3 330 652	2 156 013
Provisions for potential losses	(19 756)	(45 000)
Advances received	(854 214)	(449 323)
Gross value for accrued income	<u>2 456 682</u>	<u>1 661 690</u>
from them:		
Accumulated income as assets	2 568 053	1 673 755
Accumulated income as liabilities (in balance row "Accrued liabilities")	<u>(111 371)</u>	<u>(12 065)</u>
	<u>2 456 682</u>	<u>1 661 690</u>

(20) Cash and bank

Cash on hand	297	67
Cash at bank	105 037	11 084
	<u>105 334</u>	<u>11 151</u>

(21) Share capital

Registered fully paid share capital of the Company is 8 294 219 LVL, which consist of 8 294 219 fully paid registered shares. Nominal value of each share is 1 LVL. All shares guarantees equal rights to dividends, reception of liquidation quotas and suffrage in shareholder's meeting. One share gives rights to 1 vote. All shares are dematerialized. The Company do not hold own shares or someone else in it's interest. Shares are not convertible, exchangeable or guaranteed.

From 2007 1 299 367 shares has been quoted in AS Riga Exchange stock in second list. At the end of financial year there are 1 299 367 listed shares.

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(22) Provisions	31.12.2007.	31.12.2006.
	Ls	Ls
Provisions for warranty repair	797 787	819 541
	<u>797 787</u>	<u>819 541</u>

In line with agreements, Company provides warranty repair under overall terms of repair services.

(23) Loans from banks	31.12.2007.	31.12.2006.
	Ls	Ls
Non-current		
Non-current loan in USD	1 281 381	1 604 143
Loan for installation of gas equipment in euro	179 833	269 821
Loan for privatization of land in euro	801 455	900 004
Other loan in LVL	d)	
Current part of non-current loan in USD	18 695	0
	<u>2 281 364</u>	<u>2 773 968</u>
Current		
Current part of non-current loan in USD	167 137	185 094
Current part of non-current loan for gas equipment in euro	89 987	89 987
Current part of loan for privatization of land in euro	99 686	99 996
Current part of other loan in lats		6 600
Current part of other loan in USD	5 904	0
Overdraft in USD	1 292 522	1 608 000
Short-term loan in euro	675 746	0
Current part of non-current loan for gas equipment in euro	1 124 486	0
	<u>3 455 468</u>	<u>1 989 677</u>

In 2004 the Company has received a loan in amount of 4 000 000 USD from A/S NORVIK banka for increase of current assets. The loan must be repaid till April, 2016. The interest rate is 1.3% plus 3 months LIBOR.

In 2005 the Company has received a loan in amount of 640 000 euro from A/S NORVIK banka for installation of gas equipment. The loan must be repaid till December, 2010. The interest rate is 1.6% plus 6 months LIBOR.

In 2006 the Company has received a loan in amount of 1 000 000 LVL from A/S NORVIK banka for privatization of land plots. In 2007 the loan has been refinanced in euro with repayment till December 2016. The interest rate is 1.6% plus 6 months LIBOR.

In 2005 the Company has received a loan in amount of 33 000 LVL from A/S NORVIK. Loan is repaid.

In 2007 the Company has received a loan in amount of 42 000 euro from A/S NORVIK banka. It must be repaid until February 2012. The interest rate is 1.6% plus 6 months LIBOR.

In 2006 Company signed overdraft agreement with A/S Norvik banka with maximum financing amount of 3,000,000 USD with the repayment till September 2007. Company prolonged contract until September 2008. Interest rate 1.2 % + 3 month LIBOR.

In 2007 Company signed overdraft agreement with A/S Norvik banka with maximum amount of 1 000 000 euro for supplement of current assets with the repayment until April 2008. Interest rate 1.8 % + 3 month LIBOR.

In 2007 company received a loan from A/S Norvik banka in amount of 1 600 000 euro for supplement of current assets. Loan must be repaid until December 2008. Interest rate 2.25% + 3 month LIBOR.

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Movement of loans in financial year

Non-current

Payment in 1 year	3 455 468	1 989 677
Payment from 2 till 5 years	362 713	381 677
Payment from above 5 year	1 918 651	2 408 241
	<u>5 736 832</u>	<u>4 779 595</u>

The implementation of enterprise's obligations are provided and strengthened by mortgage of all belonged to Enterprise's real estate and commercial pledge of all Enterprise's property as totality of belongings at the mortgage moment, as well as totality of belongings for the next components. The value of enterprise's mortgaged balance assets was Ls 17 655 065 on the 31st December 2007 (Ls 12 294 736 on the 31st December 2006 was).

(24) Advances from customers

Advances receivable	1 227 627	696 686
The included advances of the unfinished projects (see the note 19)	(854 214)	(449 323)
	<u>373 413</u>	<u>247 363</u>

(25) Payables to group companies

Accrued liabilities from subsidiary company (see the note 32)	82 734	0
	<u>82 734</u>	<u>0</u>

(26) Taxes and social insurance payments

	31.12.2006.	Calculated	Calculated penalty and delay fees	(Paid)/ repaid	Transferred to other taxes	31.12.2007.
	Ls	Ls	Ls	Ls	Ls	Ls
VAT	87 212	(725 376)	969	380 204	105 703	(151 288)
Personal income tax	60 780	116 619	0	(81 200)	(75 665)	20 534
Social insurance payments	109 384	201 759	0	(144 000)	(139 589)	27 554
Corporate income tax	(109 422)	166 102	(128)	(35 295)	109 551	130 808
Real estate tax (land)	0	6 294	33	(6 327)	0	0
Real estate tax (buildings)	346	72 239	383	(72 968)	0	0
Natural resource tax	746	2 723	0	(2 556)	0	913
Excise tax	386	536	0	(877)	0	45
Total	149 432	(159 104)	1 257	36 981	0	28 566
Hereof						
(Overpaid) - see Notes 17 for details	(109 422)					(151 288)
Payables	258 854					179 854

In 2007 Enterprise got 25% reduction of real estate tax on buildings from the calculated sum of the real estate tax Ls 95 706, what made Ls 23 483.

(27) Other liabilities

	31.12.2007.	31.12.2006.
	Ls	Ls
Salaries	36 720	184 344
Payments to personnel	272	15 403
Other liabilities	6 683	15 163
	<u>43 675</u>	<u>214 910</u>

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(28) Accrued liabilities

Accrued liabilities from subsidiary companies	626 495	0
Accrued liabilities from long-term contracts	111 371	12 065
Accrued unused annual leave expenses	27 802	21 961
Accrued trade payables	26 360	0
	<u>26 360</u>	<u>34 026</u>
	2007	2006

(29) Average number of employees

Average number of people employed during the financial year	<u>174</u>	<u>1 648</u>
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(30) Personnel expenses

Employee pay	639 546	4 151 854
Social insurance payments	146 344	1 348 233
Other expenses	391 174	270 150
	<u>1 177 064</u>	<u>5 770 237</u>

(31) Remuneration to the management

	2007	2006
	Ls	Ls
Board members		
· salary expenses	93 179	48 057
· other social insurance expenses	17 820	11 577
	<u>110 999</u>	<u>59 634</u>

Members of the Council do not receive remuneration for the performance of their duties.

(32) Transactions with related parties

As mentioned in note no.12 Enterprise hold 100% shares of subsidiary companies SIA Rel, SIA Elap, SIA Remdiz, SIA Ritrem, SIA Elektromaš, SIA Krāsotājs, SIA SPZČ, SIA Metalurgs, SIA Remenergo, SIA Instruments un SIA Logistika. Claims and liabilities are classified as debts of related enterprises and debts to related enterprises accordingly.

The member of the enterprise's board Oleg Ossinovski has a profound influence among enterprise large shareholders, who hold 49.0% of shares, AS Skinest Rail (Estonia). Enterprise is engaged in transactions as well with other enterprises, which are connected with AS Skinest Rail: SIA Skinest Latvia, UAB Skinest Baltija (Lithuania) and OOO Skinest SPB (Russia).

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a) claims and liabilities

	31.12.2007.		31.12.2006.	
	Receivables Ls	Payables Ls	Receivables Ls	Payables Ls
<i>Claims and liabilities to subsidiary companies</i>				
SIA "Rel"	157 899	0	0	0
SIA "Elap"	70 261	0	0	0
SIA "Krāsotājs"	43 385	0	0	0
SIA "SPZČ"	245 572	0	0	0
SIA "Metalurģs"	393 333	0	0	0
SIA "Remenergo"	914 566	0	0	0
SIA "Instruments"	100 182	0	0	0
SIA "Loģistika"	132 393	0	0	0
SIA "Elektromaš"		82 734	0	0
In total	2 057 591	82 734	0	0
<i>Claims and liabilities to other related parties</i>				
	0	0	0	0
AS "Skinest Rail"	0	5 193	0	482 581
SIA "Skinest Latvija"	155 556	0	0	557 703
AS "Spacecom"	45 066	0	0	501
UAB "Skinest Baltija"	0	2 526	0	0
OOO "Skinest SPB"	0	38 415	0	0
In total	200 622	46 134	0	1 040 785
	4 315 804	173 187	0	1 040 785

b) transactions

	Notes	2007	2006
		Ls	Ls
<i>Transaction with subsidiary companies</i>			
<i>i) Income</i>			
Income from sales of products		139 830	0
Income from fixed assets leasing	(33)	2 178 692	0
Income from utility services		188 531	0
Direction and administrative service	a)	445 526	0
Income from sales of material	c)	3 444 693	0
Other income		250 024	0
		6 647 296	0
<i>ii) Expences</i>			
Received services expences	b)	8 620 794	0
Raw material cost		401 529	0
Utility expences		98 798	0
Cost of delivery of goods		138 415	0
Other expences		577 234	0
		9 836 770	0
<i>Transaction with related parties</i>			
<i>i) Income</i>			
Sale of goods		55 281	130 343
Services rendered		2 486 164	1 335 432
<i>ii) Cost</i>			
Services received		14 976	19 606
Purchase of goods		1 451 955	3 475 617
		1 466 931	3 495 223
		20 492 442	4 960 998

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a) A/s "DLRR" provide administrative management services for subsidiary companies, these services include services of t

b) Since a review year Enterprise has been providing repair of the rolling stock, buying from its subsidiary companies repair favours. The largest subsidiary companies, which provide Enterprise rolling stock repair services, are SIA Rel, SIA Elap, SIA Remdiz, SIA Elektromaš, SIA Ritrem un SIA Krāsotājs. Each of these mentioned enterprises carry out the separate part of mentioned services according to every subsidiary company's activity (see note No. 11). SIA Remenergo, SIA SPZČ, SIA Instruments, SIA Metalurgs and SIA Loģistika provide mainly assistant functions in rolling stock repair works. These services are provided to other subsidiary companies, as also to Enterprise.

(33) Lease agreements

In accordance with concluded agreement in 2007 January Enterprise leases all production buildings, technological devices and other fixed assets and equipment used in the main activity of Concern to the subsidiary company SIA "Remenergo". Rent payments for building lease in 2007 were Ls 1 996 747 per year, and Ls 181 945 for equipment lease. Lease agreement is concluded for indefinite term.

(34) Adjustments for changes in accounting policies

The Company has changed the income recognition principle in the reporting period. Until the end of the reporting year ended 2006 the Company recognized income upon the full completion of the services. From 2007 the Company recognized income for the services rendered under the stage of completion method. Effect from changes of accounting policy are these:

	For year 2006	For previous years
	Ls	Ls
<u>Effect of changed accounting policy</u>		
Increase in accrued income and net turnover	(332 474)	2 488 487
Increase in cost of sales	(332 474)	2 488 487
Net result of retained earnings and net assets	<u><u>0</u></u>	<u><u>0</u></u>

	2006 corrected Name of item	2007 Name of item	Amount Ls
Work in progress	Accrued income	Inventories-work in progress	2 156 013
Provision for increase of value of work in progress	Accrued income	Inventories-work in progress	(45 000)
Advances received	Accrued income	Liabilities-advances received	(449 323)
			<u><u>1 661 690</u></u>

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(35) Managing financial risks

The principal financial instruments of the Company are money. The main objective of these financial instruments is to provide financing for the operations of the Company. The Company interacts with various other financial instruments, for example, trade receivables and payables and other creditors, following directly from its operations.

Financial risks, connected with the financial instruments of the Company, mainly, are interest rate risk, liquidity risk and credit risk.

Foreign currency risks

The company is subject to foreign currency fluctuations, mainly due to its loans and other operations performed with euro and USD currency, and trade receivables is euro and USD currency.

Since 2005 the Bank of Latvia has stated a fixed currency exchange rate for lats against euro, i.e. 0.702804, and ensure that the market rate will not differ from the official rate by more than 1%. As far as the Bank of Latvia maintains the above mentioned exchange corridor, the Company will not have a significant currency exchange risks in respect of assets and liabilities nominated in euro.

	31.12.2007.	31.12.2006.
Financial assets, USD	3 472 391	2 389 336
Financial liabilities, USD	#####	(7 571 288)
Position of balance sheet, USD, net	<u>(7 219 774)</u>	<u>(5 181 952)</u>
Position of balance sheet, LVL, net	<u>(3 494 371)</u>	<u>(2 777 524)</u>
Financial assets, EUR	361 033	137 848
Financial liabilities, EUR	(4 333 128)	(1 010 977)
Position of balance sheet, EUR, net	(3 972 095)	(873 129)
Position of balance sheet, LVL, net	(2 791 605)	(613 638)
Financial assets, RUB	37 471 962	51 408 317
Financial liabilities, RUB	#####	(12 042 682)
Position of balance sheet, RUB, net	1 793 848	39 365 635
Position of balance sheet, LVL, net	35 339	799 122

Interest rate risks

The Company is subject to the interest rate risk, mainly with respect to its borrowings. The average interest rate of the Company loans is reflected in Notes note 18.

Credit risk

The Company is subject to the credit risk with respect to the debts of its buyers and customers, issued short-term loans and money and its equivalents. The Company manages its credit risk constantly reviewing the repayment history of the client debts and stating the credit conditions for each client separately.

The Company has no significant concentration of credit risk on any separate business partner or group of partners corresponding to the similar description.

In the result of policy change, the assets and obligations were classified in a new way:

In connection with a necessity to enlarge circulating assets of subsidiary companies, Enterprise provides a significant financing of activity of daughter enterprises. The largest part of financing till the 31st December 2007 is not paid back. The general uncovered losses of subsidiary companies at the end of review year were Ls 1 845 956. The bad financial results of enterprise in 2007 are explained mainly by insufficient production volume. According to the prognoses of managers, the planned activity of all subsidiary companies is cost-effective, they are planning to finish 2008 year with profit, therefore it is not possible to foresee if sul

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Liquidity risk

The Company manages its liquidity risk, maintaining the appropriate amount of money and money equivalents.

(36) Subsequent events

There are no subsequent events since the last date of the financial year until the date of signing of financial statements, which would have a significant effect on the financial position of the Company as at 31 December 2007.

Natālija Petrova
board member

Daugavpils, 21 May 2008

The annual report has been approved by the general meeting of members _____ 2008

**INDEPENDENT AUDITOR'S REPORT
of Daugapils Lokomotīvu Remonta Rūpnīca AS**

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Daugavpils Lokomotīvu Remonta Rūpnīca AS (the Company) included in the Annual report as set out on pages 8 to 30. The period of financial statements is from 1 January 2007 till 31 December 2007 (the Financial year). These financial statements include the balance sheet as at 31 December 2007, and the income statement, cash flow statement, statement of changes in equity for the Financial year, and summary of significant accounting policy and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with LR Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of risk of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the above mentioned financial statements give a true and fair view of the financial position of the Group as at the end of the Financial year, and of its financial performance and cash flow for the Financial year in accordance with in accordance with LR Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

We have read the Management Report for the Financial year as set on pages 5-6 and did not identify material inconsistencies of the financial information presented in the Management Report and that contained in the financial statements.

MRI Revision SIA
Certified auditors' company
License No. 80
Ēriks Bahirs
Certified Auditor
Certificate No. 136
Chairman of the Board
21 May 2008

This report is English translation of the original Latvian. In the event of discrepancies between the two reports, the Latvian version prevails.